

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The)	
Dayton Power & Light Company for)	Case No. 16-0395-EL-SSO
Approval of Its Electric Security Plan.)	

In the Matter of the Application of The)	
Dayton Power & Light Company for)	Case No. 16-0396-EL-ATA
Approval of Revised Tariffs.)	

In the Matter of the Application of The)	
Dayton Power & Light Company for)	Case No. 16-0397-EL-AAM
Approval of Certain Accounting Authority)	
Pursuant to Ohio Rev. Code § 4905.13.)	

**DIRECT TESTIMONY OF STEPHEN E. BENNETT
ON BEHALF OF
THE RETAIL ENERGY SUPPLY ASSOCIATION**

November 21, 2016

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1 **INTRODUCTION**

2 **Q1. Please state your name and business address.**

3 **A1.** My name is Stephen E. Bennett. My business address is Energy Advocacy LLC, 402 Valley
4 Drive, Lincoln University, PA 19352.

5
6 **Q2. On whose behalf do you appear today?**

7 **A2.** I have been asked by the Retail Energy Supply Association (“RESA”) to review the electric
8 security plan (“ESP”) application filed by The Dayton Power and Light Company (“DP&L” or
9 “Company”) on February 22, 2016, as amended on October 11, 2016, from the perspective of a
10 competitive retail electric service provider, and to comment on the provisions that will harm or
11 inhibit the growth of the existing competitive market in the DP&L service territory.
12 Additionally, I respond to several supplier coordination tariff provisions and propose changes.

13
14 **Q3. Please provide your educational training and work experience in the competitive energy
15 supply industry.**

16 **A3.** I earned a Bachelor of Science in Civil Engineering from the University of Maryland-College
17 Park in 1996. I have almost 15 years of experience in the competitive wholesale and retail
18 energy industry with a focus on retail market policy and structure, compliance, and RTO/ISO
19 market rules and settlements. Currently, I am a consultant on wholesale and retail energy
20 matters. Prior to that I served as Senior Manager, Markets & Regulatory Policy for PPL/Talen
21 Energy, and prior to that I served as the Retail Policy Manager – East for Exelon Energy where
22 I was responsible for directing and implementing Exelon Energy’s regulatory policies for the
23 competitive retail markets in Ohio, Illinois, Pennsylvania, Michigan, New Jersey, and
24 Maryland.

25
26 **Q4. Have you testified before the Public Utilities Commission of Ohio before?**

27 **A4.** Yes, I previously testified in several electric security plan proceedings, including the
28 FirstEnergy ESP III proceeding (Case No. 12-1230-EL-SSO), DP&L ESP II proceeding (Case
29 Nos. 12-426-EL-SSO et al.), AEP Ohio ESP III proceeding (Case Nos. 13-2385-EL-SSO et al.)
30 and the FirstEnergy ESP IV proceeding (Case No. 14-1297-EL-SSO).

1 **PURPOSE OF TESTIMONY**

2 **Q5. What is the purpose of your testimony?**

3 **A5.** The purpose of my testimony is to address certain proposals in the ESP III proceeding and to
4 present RESA's position on those proposals. My testimony will address the Distribution
5 Modernization Rider, the Clean Energy Rider, the Reconciliation Rider, corporate separation
6 and generation divestiture at DPL, supplier consolidated billing, the small commercial customer
7 definition, and a mechanism to account for the partial unbundling of the Company as a default
8 service provider.
9

10 **THE PROPOSED DISTRIBUTION MODERNIZATION RIDER**

11 **Q6. Can you please describe your understanding of the proposed Distribution Modernization**
12 **Rider?**

13 **A6.** As proposed by the Company, the Distribution Modernization Rider ("DMR") is a rider which
14 will require customers to pay DP&L \$145 million per year over seven years for a total of
15 \$1.015 billion. While DP&L is using the terms "distribution modernization" to describe the
16 DMR, it is unclear that any of the money collected through the DMR will be used for
17 distribution modernization. Rather, the primary purpose of the DMR is to shore up the balance
18 sheets at DP&L and its parent company DPL Inc. ("DPL"). Testimony from Company
19 witnesses indicate that the DMR is necessary due to the impairment of DPL and DP&L's
20 financial integrity.¹ However, DP&L witness testimony and the Company's financial
21 statements indicate that the impairments arise not from deficiencies in distribution rate recovery
22 but rather from issues with their generation assets and from excessive debt tied to the
23 acquisition of DPL by AES Corporation ("AES"). That the DMR will be used for any
24 distribution modernization is further confused by the Company's inclusion of a Distribution
25 Investment Rider ("DIR") in the very same ESP proposal that includes the DMR. It is
26 important to note that the DMR is proposed as a non-bypassable rider which would require all
27 DP&L customers, both shopping and non-shopping, to pay the \$1.015 billion over the next
28 seven years.

¹ See generally, the October 2016 testimony of DP&L witnesses Jackson and Malinak.

Q7. What does the Company indicate are the causes of the impairment of its financial integrity?

A7. Company witness Jackson lists the following as causes of “risk and uncertainty” as well as weakening financial integrity at DP&L and DPL due to: 1) anemic load growth; 2) the reversion to ESP I rates because of a Supreme Court of Ohio ruling; 3) a recent PJM capacity auction price of “only” \$100/MW-day; and 4) persistent low natural gas prices that have pressured financial results for coal-fired generation assets.² Mr. Jackson’s testimony does not weigh or apportion the impact of the four listed factors on the Company’s financial integrity. However, it is noteworthy that two of the listed factors (i.e. the PJM capacity price and the impact of low natural gas prices) are explicitly and exclusively generation issues as opposed to distribution issues. Ostensibly, the remaining factors of anemic load growth and rate reversion are at least partially related to generation issues as well. As such, proposing a non-bypassable rider that purports to be tied to “distribution modernization” is at best misleading. The DMR is a mechanism for the Company to shift the risk of its generation assets onto its entire distribution customer base even though many of these customers have selected a different generation supplier through the competitive market. Further, the Competitive Bid Plan (“CBP”) currently in place at DP&L and proposed to be maintained in the ESP III filing, procures generation service for customers that remain on the Standard Service Offer (“SSO”) through competitive bids and not directly from DP&L generation assets on a cost-of-service basis. As such, the DMR also presents itself as a customer-based subsidy for DP&L’s generation, which would result in an anti-competitive advantage for the Company’s assets that are bid into the CBP.

Q8. Can you describe your understanding of stranded costs and transition revenue?

A8. When discussing electric power generation deregulation and restructuring, stranded costs are generally defined as costs incurred by a regulated entity prior to restructuring for assets that will become redundant or cost inefficient once they are transitioned to a competitive environment. Stranded costs are sometimes incurred because the regulated entity over-built generation assets or because the cost-of-service structure allowed outdated assets to continue operation beyond the limits of their economic and technological efficiency. Transition revenue occurs when the

² October 2016 Testimony of DP&L witness Jackson at 8.

regulated entity is paid or otherwise compensated for its stranded costs as part of the transition to the competitive marketplace.

Q9. Do you believe that the DMR can be categorized as transition revenue?

A9. Yes. As previously stated, Company witness Jackson bases the need for the DMR on an impairment to the Company's financial integrity. Mr. Jackson also points to four issues creating the impairment. None of the four issues offered by the Company as the reason for the impairment, and thus the alleged need for the DMR, are exclusive to shortfalls in recovery for distribution or other regulated assets. In fact, the reasons for the impairment articulated by Mr. Jackson point toward declining revenue from the Company's generation assets. Under a scenario where the DMR is compensating the Company for declining revenues or financial impairments in competitive assets, then it can be reasonably stated that the DMR is providing transition revenue to DP&L.

Q10. How does the acquisition of DPL by AES play into the financial integrity impairment at DPL and DP&L?

A10. On November 28, 2011, DPL was acquired by AES and DPL became a wholly-owned subsidiary of AES. AES used a subsidiary, Dolphin Subsidiary II, to finance a portion of the acquisition. AES then merged Dolphin Subsidiary II and DPL so that DPL would take on the debt obligation associated with the merger. This is detailed in DPL and DP&L's annual report issued for the fiscal year ending December 31, 2011, which states:

Dolphin Subsidiary II, Inc., a subsidiary of AES, issued \$1.25 billion in long-term Senior Notes on October 3, 2011, to partially finance the Merger (see Note 2 of Notes to DPL's Consolidated Financial Statements). Upon the consummation of the Merger, Dolphin Subsidiary II, Inc. was merged into DPL and these notes became long-term debt obligations of DPL. This debt has and will have a material effect on DPL's cash requirements.

As a result of the Merger, including the assumption of merger-related debt, DPL and DP&L were downgraded by all three major credit rating agencies. We do not anticipate that these reduced ratings will have a significant effect on our liquidity; however, we expect that our cost of capital will increase.

1 In response to interrogatories in this case, the Company indicates that less than half of DPL's
2 acquisition debt obligation has been paid.³ This is significant considering Company witness
3 Jackson lays out debt repayment at DP&L and DPL as the primary use of the DMR funds⁴ and
4 the mechanism by which the Company seeks to repair its financial integrity. This implies that
5 the impairment of the Company's financial integrity primarily stems from the leverage AES
6 used to purchase DPL and, in turn, pushed off to DPL's balance sheet. As stated in the DPL
7 annual report cited above, AES was aware that transferring the acquisition debt to DPL would
8 increase the cost of capital to DPL. Additionally, it is almost certain that the debt obligation
9 that DPL holds today is the reason why it cannot, as the parent company, provide the financial
10 resources necessary to support DP&L's capital needs and credit ratings. The question then
11 becomes, why is AES, as the ultimate parent and holding company for DPL not stepping in to
12 repair the Company's financial integrity? The decision to acquire DPL was made by AES
13 executive leadership and approved by AES and DPL shareholders. Likewise, the decision to
14 take on debt to finance the acquisition and then push that debt to DPL was approved by AES
15 and DPL shareholders. As such, there is no scenario under which it is appropriate to saddle
16 DP&L customers with the debt incurred under the acquisition. Doing so would set a dangerous
17 precedent under which a private entity could purchase regulated assets in Ohio and then expect
18 the captive customers of those assets to pay for the purchase. The DMR cannot be
19 implemented as a way to transfer the debt obligations used to purchase DPL from AES
20 shareholders to DP&L customers.

21
22 **Q11. Is there an alternative structure for the DMR that would benefit customers?**

23 **A11.** Yes. Rather than allowing the funds collected through the DMR to be used as a way of
24 transferring AES shareholder risk to DP&L customers, these funds should be used to
25 modernize the Company's distribution network. That is to say, if the Commission approves the
26 DMR, then it should do so with the explicit requirement that the funds collected through the
27 rider be used to implement and expand smart meters, advanced metering infrastructure, and
28 meter data management systems throughout the DP&L territory. By requiring the DMR funds
29 to be used for real distribution modernization, the Commission will be ensuring that DP&L

³ IGS Second Set of Discovery INT 2-1.

⁴ October 2016 Direct Testimony of DP&L witness Jackson at 12-13.

1 customers receive demonstrable, long-term benefits related to improved grid reliability, outage
2 recovery, and usage data transparency.

3
4 **Q12. How could distribution modernization through smart grid technology provide DP&L**
5 **customers benefits in the competitive market?**

6 **A12.** The keys to providing customers with smart grid benefits in the competitive market are data
7 transparency and availability. Simply installing smart meters at the customer site is not
8 enough. True customer value is realized through management of the data made available by
9 the advanced metering infrastructure. First, it must be clear that usage data belongs to the
10 customer. The customer should be empowered and enabled to use that data as they see fit.
11 Making interval usage data available to customers in an understandable format provides
12 insights into usage patterns and how to better manage the consumption of electricity on a day-
13 to-day basis. In addition, when customers are empowered to share their data with service
14 providers of their choosing, their product and service offerings can be greatly enhanced and
15 customized to their individual needs. However, the information must also be provided in a
16 manner that the providers can use the data to the best advantage. This includes ensuring the
17 data is available as quickly as possible and in short time periods so that it is not stale. The
18 potential for innovation in the market place as well as enhanced grid reliability through real
19 distribution modernization are more compelling targets for the DMR funds than those proposed
20 by the Company in its filing. While the filing includes some examples of grid modernization,
21 they appear to focus on benefits to AES' other companies such as battery storage and solar,
22 rather than impactful opportunities for customers through their own in-home devices or
23 supplier offerings to receive a full benefit. If customers are going to be asked to incur the costs
24 associated with a DMR then it is they, and not AES shareholders, who should see clear and
25 demonstrable benefit.

26
27 **Q13. Does RESA have a specific proposal as to how the DMR can be used to modernize the**
28 **Company's distribution network?**

29 **A13.** Yes. The monies collected under DMR should be used for modernization of DP&L's
30 distribution grid, including deployment of smart meters and the provision of access to bill-
31 quality usage data from smart meters ("AMI data") as follows:

- a. Smart meter roll-out throughout the Companies' territory shall be 100% complete within 5 years, with exceptions allowed for very rural areas.
- b. The implementation timeframe shall require that 20% of the smart meter rollout be completed each year over the 5-year rollout period.
- c. Roll-out shall include the addition of indicators on the customer lists and within the electronic data interchange ("EDI") system as meters are installed and active (meaning validation, estimation and editing data is available – "VEE data").
- d. CRES providers shall have full access to smart meter data, and VEE data must be available for billing for CRES providers' use within 30 days of the installation of the smart meter.
- e. VEE bill-quality data must be available via EDI with minimum intervals of 15 minutes.
- f. Next-day data shall be available with batching ability for CRES providers' use in intervals of 15 minutes.
- g. The ability to connect in-home devices for real-time reads should be made available.
- h. This data must be trued up to VEE bill quality at the end of the month, but the next day data does not need to be bill quality.
- i. AMI hourly use data shall be used to calculate individual customer peak load contribution and settlement.
- j. Workshops shall be held and a report filed within 8 months of a Commission decision in this matter to allow for discussions and recommendations on distributed generation use of AMI and settlement.
- k. Distributed generation use of AMI and settlement shall be part of a future workshop discussion with a mandate to develop an implementation plan.
- l. DP&L shall conduct a thorough customer education campaign on smart meters and grid modernization in general.

Q14. Should the Commission approve the DMR as proposed by the Company?

A14. No. The DMR, as proposed by DP&L, is little more than a mechanism to shift risk from AES shareholders to DP&L customers. The Company holds forth the impairment of its financial integrity as the justification for the DMR. Yet, this impairment does not result from a failure to collect reasonably incurred costs on its regulated assets. Rather, any impairment that exists results from the combination of market conditions as they relate to DPL's generation assets and

AES's decision to finance its acquisition of DPL. The former has been the subject of much debate in Ohio over the last few years, but RESA maintains that generation assets in the PJM wholesale market should not be subsidized by captive utility customers every time market conditions turn against a particular asset type or location. The latter, however, should require no such discussion or debate. There is no scenario under which the assignment of merger-related debt to customers as opposed to shareholders should be considered reasonable at the Commission or anywhere else. The decision to acquire DPL was made by AES shareholders as was the decision to incur over a billion dollars in debt to finance the acquisition. The outcomes and implications of those decisions, whether they are positive or negative, must remain with those shareholders. The only way the DMR should be implemented is if it actually stays true to its name and ushers in distribution modernization with a focus on grid reliability and true customer value.

THE PROPOSED CLEAN ENERGY RIDER

Q15. Can you please describe your understanding of the Clean Energy Rider?

A15. As proposed by the Company, the Clean Energy Rider would be used to “facilitate future investment in renewable and advanced technologies.” The Company indicates that the Clean Energy Rider could also be used to address environmental and decommissioning costs associated with existing generation that is neither renewable nor advanced. The Company further indicates that the costs directly attributable to these future investments are currently unknown and asks that the rider be set to zero. The Company will make separate filings in the future to request cost recovery through the Clean Energy Rider. The Company asks that the Clean Energy Rider be implemented as a non-bypassable rider so that it can be applied to both shopping and non-shopping customers in the DP&L territory.

Q16. Does RESA support the Clean Energy Rider as it is proposed by the Company?

A16. No. As proposed, the Clean Energy Rider is unwieldy in its duality. The Company wants to use the Clean Energy Rider to not only pay for the development of new, renewable generation assets but also to compensate it for costs associated with environmental compliance related to existing, non-renewable generation. This application is overly broad in that the decisions, implications, and consequences related to new, renewable development in comparison to the compliance activities and decommissioning of existing generation assets are very different.

1 Even though the Company proposes to make separate filings for cost recovery on a case-by-
2 case basis, using the same rider for both applications is inadvisable. More importantly, the
3 Clean Energy Rider would implement an inefficient and inappropriate subsidy for the
4 Company's generation assets whether it applied to new renewables or existing non-renewable
5 generation.

6
7 **Q17. In what way is the Clean Energy Rider a subsidy for the Company?**

8 **A17.** Whether the Clean Energy Rider is used to recover the cost of developing new, renewable
9 generation or the cost of environmental compliance and decommissioning of existing
10 generation, it is a subsidy that would have a negative impact on the competitive wholesale
11 market for electricity. As a member of PJM, Ohio is part of a regional, competitive wholesale
12 electricity market. In a market like PJM, decisions around the development or continued
13 operation of a generation asset should be based on the asset owner's ability to efficiently and
14 profitably run that asset under the existing market rules. The Clean Energy Rider would
15 provide DP&L the unique advantage of guaranteed cost recovery for the development of new,
16 renewable generation. This advantage would be granted to DP&L for no other reason than
17 because it is the incumbent utility in its native territory. The Clean Energy Rider would also
18 provide guaranteed cost recovery for DP&L to implement environmental compliance measures
19 at an existing generating unit regardless of whether it was economically efficient to do so. That
20 is to say, even if the economic efficient outcome under a proposed environmental regulation
21 would be for DP&L to shutter an existing unit, the subsidy and guaranteed cost recovery
22 provided under the Clean Energy Rider would incentivize DP&L to move forward with the
23 compliance activity despite the fact that it would ultimately create higher costs for its
24 customers. In either case, the Clean Energy Rider would provide a subsidy to DP&L that
25 would create undue advantages for the Company and incentivize inefficient behaviors that
26 would be contraindicative to market signals and the best interests of Ohio customers.

27
28 **Q18. If the Clean Energy Rider is approved, should it be non-bypassable?**

29 **A18.** No. As previously indicated, the Clean Energy Rider should not be approved. However, if it is
30 approved, it should not be non-bypassable. Given the fact that competition exists in the DP&L
31 territory both at the retail level and within the CBP, it would be inappropriate to apply the Clean
32 Energy Rider to both shopping and non-shopping customers. Shopping customers receive their

1 generation from their CRES Provider. Requiring shopping customers to pay for additional
2 generation through the Clean Energy Rider would be a requirement for those customers to
3 double pay for generation that they do not need and would not use. It should be noted that even
4 if the Clean Energy Rider is authorized as a bypassable charge, it would still offer a potential
5 subsidy to DP&L generation that would be offered into the CBP. If all generation assets are
6 subject to the environmental compliance requirements and costs recovered through the Clean
7 Energy Rider, only DP&L would have the advantage of recouping those costs directly and in
8 full from its customers.

10 **THE PROPOSED RECONCILIATION RIDER**

11 **Q19. Does RESA support the Reconciliation Rider as proposed by the Company?**

12 **A19.** No. The Company asks the Commission to authorize the Reconciliation Rider so that it can
13 recoup the costs for its share of the Ohio Valley Electric Corporation (“OVEC”) generation
14 assets under a contract for differences structure. This amounts to a subsidy that would create
15 inefficiencies in the competitive wholesale market for electricity. The OVEC generation has
16 proven to be problematic for several of the Ohio utilities. While I understand that OVEC once
17 played an important part in supporting the activities of the U.S. Atomic Energy Commission, its
18 continued existence as a joint-owned commercial entity may need to be re-evaluated. It is not
19 surprising that generation assets built in the early 1950s are no longer cost-competitive in the
20 modern electricity market. It does not seem prudent to continue saddling both the Ohio utilities
21 and their customers with the costs associated with these inefficient generation assets. But
22 transferring the market risk for OVEC to ratepayers and away from utilities like DP&L will
23 remove the economic incentive that DP&L has today to argue for and make changes in how the
24 OVEC units are managed including capital expenditures and decisions regarding the retirement
25 or mothballing of the OVEC units. Ratepayers do not have a seat on the OVEC governing
26 board and a co-owner of a generation unit with little market incentives will not act in the same
27 manner as a co-owner with full market risk. In addition, rather than continuously requesting
28 that the Commission authorize subsidies for the OVEC units, perhaps it is time that DP&L and
29 other utilities revisit the covenants that govern OVEC and to seek greater flexibility for member
30 companies to terminate their participation and/or sell their interest in the OVEC generation
31 assets. It is possible that Ohio customers would derive greater benefit from having the in-state
32 utilities exit OVEC than being required to pay the above-market costs of these units.

1 **CORPORATE SEPARATION**

2 **Q20. What is RESA's position regarding DP&L's corporate separation?**

3 **A20.** RESA supports DP&L's corporate separation and the Commission's September 17, 2014
4 Finding and Order in Case No. 13-2420-EL-UNC. RESA believes that Company's corporate
5 separation and the divestiture of its generation assets from its regulated distribution utility is a
6 beneficial and necessary step to ensure the long-term viability of competitive energy markets in
7 the DP&L service territory. RESA believes that it would be beneficial for the Commission to
8 require the Company to remain committed to completing its corporate separation under the
9 auspices of the Order in Case No. 13-2420-EL-UNC as a requirement in the instant case before
10 the Commission.
11

12 **SUPPLIER CONSOLIDATED BILLING**

13 **Q21. Does RESA support the implementation of Supplier Consolidated Billing which is**
14 **currently authorized in DP&L's tariff?**

15 **A21.** Yes. Supplier Consolidated Billing ("SCB") is the billing arrangement by which the CRES
16 Provider bills the customer for both the commodity electricity and the wires and distribution
17 charges. The CRES Provider then remits to the utility its charges in full. SCB allows the
18 CRES Provider to establish a better relationship with its customer through ownership of the bill
19 and the communication channel therein. SCB also allows for much greater product innovation
20 by the CRES Provider as they are no longer limited to only offering the products that can be
21 configured and billed by the utility's legacy billing system. SCB works extremely well in
22 combination with the distribution modernization enhancements proposed earlier in this
23 testimony. Enhanced data granularity and availability combines with the expanded products
24 enabled by SCB to create the potential to transform the retail electricity marketplace for
25 customers. Combining AMI data and SCB can expand the kind of retail electricity product
26 customization that is generally only offered to the largest Ohio customers across the customer
27 spectrum, including the residential classes. This product customization can help match
28 individual customer usage patterns with the products and services that will provide them with
29 optimized value based on their particular needs. Whether combined with AMI data or on its
30 own, SCB would bring significant and demonstrable value to DP&L customers and to the
31 competitive market in the service territory.

1 **Q22. Does RESA have a specific proposal as to how SCB can be implemented in the DP&L**
2 **territory?**

3 **A22.** Yes. The DP&L tariff already allows for SCB, but it is not currently offered by the Company.
4 As such, RESA asks that the Commission take into consideration the time elapsed since the
5 tariff was approved and order an expedited timeline for the planning and implementation of
6 SCB. The Company and those CRES Providers interested in participating and offering SCB
7 shall create a collaborative, in consultation with Commission Staff (“Staff”), to develop and
8 implement the SCB program. The framework and timeline of the collaboration should be
9 ordered as follows:

- 10 a. The participating CRES Providers will agree to work with Staff and the Company
11 on consumer safeguards, including Ohio Administrative Code Chapter 4901:1-21
12 (without waiver unless recommended by Staff).
- 13 b. Participating CRES Providers agree to provide the Staff and the Company with all
14 information related to SCB of CRES customers.
- 15 c. The Staff, DP&L and participating CRES Providers will meet to determine a
16 methodology to govern the SCB implementation including, but not limited to, the
17 method of transfer and payment of customer charges to the Company; as well as
18 credit & collection procedures and purchase of receivables without recourse.
- 19 d. The methodology shall be established no later than six months from a final Order in
20 this proceeding.
- 21 e. Implementation of SCB shall be available to CRES Providers no later than 18
22 months from a final Order in this proceeding.
- 23 f. DP&L shall receive full cost recovery incurred for implementing SCB.
- 24

25 **DEFINITION OF “SMALL COMMERCIAL CUSTOMER”**

26 **Q23. What does RESA recommend for the definition of “small commercial customer” in**
27 **DP&L’s tariff?**

28 **A23.** RESA believes that the small commercial customer definition in DP&L’s tariff should reflect
29 the characteristics of the small commercial customer more realistically. Currently, a small
30 commercial customer is defined as any commercial customer with annual usage less than seven
31 hundred thousand (700,000) kilowatt-hours (“kWh”).⁵ Seven hundred thousand kWhs per year

⁵ P.U.C.O. No. 17, Sheet T7 page 3 and Sheet G7 page 3.

1 is a large quantity of power, one which is generally associated with industrial and very large
2 commercial customers. Customers who use that amount of electricity each year are, for
3 example, shopping malls and office towers. Declaring that all commercial electric customers
4 below that 700,000 kilowatt-hour threshold are “small” commercial customers inappropriately
5 lumps the other commercial customers into one category without recognizing the actual
6 variability within that group. Effectively, the tariff applies the small commercial customer
7 definition to small, medium and large customers. As a result, DP&L’s tariff definition should
8 be revised to more accurately reflect a small commercial customer.

9
10 **Q24. What characteristics do small commercial customers typically have, compared to medium**
11 **and large commercial customers?**

12 **A24.** A true small commercial customer is distinguishable from a medium and large commercial
13 customer in several respects because the small commercial customer:

- 14 • uses a much lower amount of electricity than 700,000 kilowatt-hours per
- 15 year
- 16 • does not employ personnel with expertise on utility matters
- 17 • uses electricity for general lighting, space heating/cooling, and computers

18 From a both business and operational perspectives, a small commercial customer generally has
19 an annual peak load of 10-30 kilowatts.

20
21 **Q25. Are small commercial customers distinguished from medium and large commercial**
22 **customers by others?**

23 **A25.** Yes. Ohio Power Company’s tariff distinguishes small commercial customers (GS-1
24 customers) in its service territory as those with maximum demands of less than 10 kilowatts.⁶
25 In Pennsylvania, a small commercial customer is defined in its administrative code as a
26 commercial customer with peak load less than 25 kilowatts within the last 12 months.⁷

27
28 **Q26. How should DP&L’s tariff definition be changed?**

29 **A26.** RESA believes that a reasonable definition of small commercial customer should be based on
30 demand (kilowatts) for the year, as opposed to consumption (kilowatt-hours). Further, RESA

⁶ P.U.C.O. No. 20 Sheets 220-1 and 320-1.

⁷ 52 Pa. Code §§ 54.152 and 54.2.

believes that a reasonable demand threshold for a small commercial customer would be 25 kilowatts each year. This approach will appropriately distinguish small commercial customers from medium and large commercial customers.

Q27. Does the Commission distinguish small commercial customers from other customers?

A27. Yes. The Commission's policy is that small commercial customers are like residential customers and therefore should receive greater protection in the competitive market place.

Q28. Why is it appropriate for DP&L to change the tariff definition of small commercial customer in this proceeding?

A28. The Commission has ruled that the definition of a small commercial customer is an issue "appropriately resolved by the EDUs' individual tariffs"⁸ and DP&L's tariffs are at issue in this proceeding.

Q29. Does RESA have any further recommendations related to this definitional change?

A29. Yes. If this proposed tariff change is approved, RESA recommends that DP&L engage periodically throughout the ESP III with suppliers to discuss and evaluate how the definitional change is being implemented and applied. This will allow the utility and the supplier community to evaluate the definitional change. Additionally, RESA recommends that the utility submit a written report to the Commission either at the time the utility applies for a new electric security plan or six months prior to the expiration of the ESP III, whichever is earlier. That report should describe the impact of the definitional change and the discussions with the supplier community, and should be publicly filed with the Commission.

UNBUNDLING OF COSTS

Q30. Does RESA have any additional proposals for consideration in this proceeding?

A30. Yes. While DP&L has taken steps to transition from a monopoly, cost-of-service based retail model for electric service by adopting a CBP for its SSO service, my understanding is that it has not fully unbundled all of its processes, personnel, and systems between competitive and noncompetitive services. DP&L provides SSO service with the benefit of certain economies of

⁸ *In the Matter of the Commission's Review of its Rules for Competitive Retail Electric Service Contained in Chapters 4901:1-21 and 4901:1-24 of the Ohio Administrative Code*, Case No. 12-1924-EL-ORD, Finding and Order at 6 (December 18, 2013) and Entry on Rehearing at 13 (February 26, 2014).

scale, synergies, and shared systems that are supported and funded through regulated rate recovery. As a partially unbundled provider of SSO service, DP&L does not face the same at-risk costs as CRES Providers who provide an alternative to that SSO service. To remedy this inequity, level the playing field, and move the competitive retail electric market forward in the DP&L territory, RESA asks that the Commission order DP&L to establish a bypassable default service support rider (“DSS”) as an addition to the SSO non-shopping rate, as proposed in Matthew White’s testimony filed in this proceeding. The DSS will allocate costs that DP&L incurs to provide default service to customers, or costs otherwise avoided by default service, that are not reflected in SSO bypassable rates. The total collected from the DSS will then be refunded to all distribution customers via a per KWH Default Service Support credit (“DSSC”). Every six months, DP&L should reconcile the DSSC for over- or under-recovery to ensure that the total revenue recovered through the DSS matches the DSSC revenue refunded to customers.

TARIFF CHANGES

Q31. Does RESA have other concerns or proposals related to DP&L’s tariff?

A31. Yes. RESA has identified a number of tariff provisions that will inhibit or negatively impact the competitive retail market in DP&L’s service territory, or that deserve clarification. Following is a list of those provisions, and my recommendations.⁹

1. The Thirty-Day Supplier Registration Period Should be Retained

a. Reference: Sheet G8, page 6, ¶2.1

b. Issue: The Company should keep its existing thirty-day requirement to approve or disapprove a supplier’s registration rather than the Company’s proposed language to approve in a “timely manner.” Set deadlines provide certainty for both the Company and suppliers. As well, the current language allows for the thirty-day registration period to be extended for an additional thirty days for good cause shown or longer if agreed upon by both the supplier and the Company.

⁹ Sheet and page references are to those in the redlined copy of DP&L’s proposed tariff as filed on February 22, 2016, in Case Nos. 16-395-EL-SSO, et al.

- 1 c. Solution: Sheet G8, page 6 ¶2.1 first paragraph, retain the existing 30-calendar day
2 time for approving a supplier's registration: "The Company shall approve or
3 disapprove the supplier's registration within thirty (30) calendar days of receipt of
4 complete registration information from the supplier. The thirty (30) day time period
5 may be extended for up to thirty (30) days for good cause shown, or until such other
6 time as is mutually agreed to by the supplier and the Company."

7
8 2. Clarify PIPP Customer Receipt of Standard Offer Rate

- 9 a. Reference: Sheet G8, page 12, ¶4.1
10 b. Issue: The proposed tariff incorrectly states that the PIPP program will be
11 coordinated exclusively through the PIPP program administered by the Ohio
12 Department of Development.
13 c. Solution: Sheet G8, page 12 ¶4.1, for clarification, modify the last paragraph of the
14 pre-enrollment customer list section so that the PIPP program is conducted in
15 accordance with the Commission's requirements, including those in Case No. 16-
16 247-EL-UNC: "* * * End-use Customers participating in the Percentage of Income
17 Payment Plan (PIPP) program will receive the Standard Offer Rate in accordance
18 with the requirements of the Public Utilities Commission of Ohio."

19
20 3. End-Use Customer Information can be Obtained Through the Supplier Portal

- 21 a. Reference: Sheet G8, page 13 ¶4.2
22 b. Issue: The existing tariff language states that historical Interval Meter data can be
23 requested through a Direct Access Service Request (a DASR). However, suppliers
24 can also obtain end-use customer information through the supplier portal maintained
25 by DP&L, and that option should be made clear in the tariff.
26 c. Solution: Sheet G8, page 13 ¶4.2, add additional language to reflect that end-use
27 customer information may also be obtained through the supplier portal: "An AGS
28 may also request and access End-use Customer Information through the Company's
29 CRES portal, which is available from the Company's website."

30
31 4. Clarification to Confidentiality of Customer Information

- 32 a. Reference: G8, page 21 ¶9.2
33 b. Issue: The current tariff language does not take into consideration all of the
34 instances when a CRES provider may be required to disclose customer-specific
35 information.
36 c. Solution: G8, page 21 ¶9.2, existing language should be modified to recognize that
37 CRES providers may be required to disclose customer-specific information by the
38 Public Utilities Commission of Ohio or a court: "* * * The AGS shall keep all

Customer-specific information supplied by the Company confidential unless the AGS has the Customer's authorization to do otherwise or unless permitted to be disclosed per Ohio Administrative Code Rule 4901:1-21-10."

5. Company Proposed Prohibition on Bill Items

- a. Reference: Sheet G8, page 22 ¶10.1
- b. Issue: The Company has proposed new language on consolidated billing that would expressly prohibit the use of net meters in rate ready consolidated billing (where the Company applies the CRES provider's rates to the metered kilowatt-hours) and would also preclude the "billing of items other than electric commodity." These restrictions would have a negative impact on the competitive retail market and eliminate options for customers. Grid modernization and other behind-the-meter developments over the next seven years of the proposed ESP III could lead to additional net metering and CRES offered products to customers. The Company's proposed restrictions are short-sighted, would eliminate the development of consolidated billing over the seven year term of the ESP and could inhibit the development of new products that add value to customers.
- c. Solution: Sheet G8, page 22 ¶10.1, withdraw proposed added restriction related to readings from net meters: "The Company will not produce a bill via consolidated rate ready billing services using a meter read measuring 'supplied' kWh from a net meter." Also, on Sheet G8, page 22 ¶10.1, withdraw proposed added language that consolidated billing cannot include non-commodity items: "The AGS shall not use the Company's consolidated billing services for billing of items other than electric commodity including, but not limited to, early termination fees and for communication of any anti-competitive or disparaging messages."

6. Clarifying Dispute Language

- a. Reference: Sheet G8, page 25 ¶12.1(c); Sheet G8, page 26 ¶12.2
- b. Issue: The Company's existing tariff requires a CRES supplier to pay any amounts in dispute to the Company regardless of whether the dispute is resolved. Amounts in dispute should not be paid until the dispute is resolved.
- c. Solution: Sheet G8, page 25 ¶12.1(c), modify existing language to not require CRES providers to pay amounts in bona fide dispute: "In the event of a dispute as to the amount of any bill, the AGS will notify the Company of the amount in dispute and the AGS will pay to the Company the ~~total bill including the disputed~~ amount not in bona fide dispute." Also, Sheet G8, page 26 ¶12.2, modify existing language to recognize that not paying amounts in bona fide dispute will cause the AGS to be deemed delinquent, by adding the following underlined language: "In the event the AGS fails to make payment to the Company of all amounts not in bona fide dispute on or before the due date as described above, and such failure of payment is not corrected within two (2) calendar days after the Company notifies the AGS to cure such failure, * * *."

7. Avoid Increased Charges for Technical Support and Assistance

- a. Reference: Sheet G8, page 32 ¶18
- b. Issue: The Company seeks to increase the current hourly charge for technical support by over double the current amount of \$41 per hour. The new rate would be \$90 as proposed by the Company. The rate proposed rate is excessive and the Company has not provided any support for this increase. The current rate of \$41 should be maintained.
- c. Solution: Sheet G8, page 32 ¶18, retain the current charge for technical support and assistance: “Additional hours beyond first four (4) hours per month per AGS or CSP: \$41 per hour or fraction thereof.”

8. Promote Shopping by Eliminating Switching Fees

- a. Reference: Sheet G8, page 33 ¶A.3; Sheet D34
- b. Issue: The Company has proposed tariff language allowing it to impose a switching fee, and that the CRES provider must pay the switching fee on behalf of the customer. Switching fees can have the effect of hindering shopping, and should be eliminated.
- c. Solution: Sheet G8, page 33 ¶A.3, modify new proposed language regarding the switching fee: “ No Switching Fee will be imposed on the End-Use Customer for switching to or from an AGS.”

The lack of a switching fee should also be recognized in DP&L’s distribution tariff by deleting references to the “Switching Fee Rider” and modifying the text on Sheet D34 so that it reads as follows:

ELECTRIC DISTRIBUTION SERVICE
~~SWITCHING FEE RIDER~~ NO SWITCHING FEE

* * *

AUTHORIZATION TO SWITCH TO AN ALTERNATE
GENERATION SUPPLIER

The AGS shall coordinate Customer enrollment with the Company in accordance with the procedures set forth in the Alternate Generation Supplier Coordination Tariff, Sheet No. G8. The AGS shall provide notification of the switch request to the Company utilizing standard business protocols before the switch is effectuated. ~~Prior to the switching level reaching twenty percent (20%), each Customer will receive one free switch during the Rate Stabilization Period. Then the Company will charge a switching fee of five dollars (\$5) for every switch to an AGS.~~ **No Switching Fee will be imposed on the End-Use Customer for switching to or from an AGS.**

1 RETURNING TO THE STANDARD OFFER

2 A Customer may at any time return to the Company's applicable
3 Standard Offer Tariff for Generation Service. ~~However, the Company~~
4 ~~will charge the Customer a switching fee of five dollars (\$5) for~~
5 ~~returning to the Standard Offer Tariff.~~ **No Switching Fee will be**
6 **imposed on the End-Use Customer for returning to the Standard**
7 **Offer.**

8 In the event that a Customer returns to Standard Offer due to default,
9 abandonment, slamming or certification rescission of their AGS, the
10 Customer will be automatically returned to the applicable Standard Offer
11 Tariff, and will not be charged ~~the~~ a switching fee.

12 9. The Company Should Not Unilaterally Return Customers to Standard Offer Rate

13 a. Reference: Sheet G9, page 2

14 b. Issue: The Company's Competitive Retail Generation Service tariff (Sheet No. G9)
15 proposes that any shopping customer with a maximum annual peak demand greater
16 than or equal to 200 kW for the most recent twelve-month period must install at
17 their expense an hourly wireless interval meter. The Company, however, proposes
18 that it can unilaterally return the customer to Standard Offer Rate if the meter does
19 not communicate adequately regardless that the Customer may have a long-term
20 contract with the CRES provider. In many instances, CRES providers make long-
21 term purchases of power to support long-term contracts. Not only is allowing the
22 Company to unilaterally return a customer to Standard Offer Rate inequitable, but it
23 would have a chilling effect on the competitive market and could result in
24 termination provisions in CRES contracts to be triggered.

25 c. Solution: Sheet G9, page 2, remove the new proposed language that states: "If
26 communication arrangements are unsatisfactory, the Customer will be charged the manual
27 interval meter read fee provided for in this tariff and may be returned to the Standard Offer
28 Rate at the Company's discretion after notification."

30 **COMPETITIVE BIDDING PROCESS**

31 **Q32. Do you have any concerns with DP&L's proposal that winning bidders in the CBP supply**
32 **Renewable Energy Credits ("RECs")?**

33 **A32.** One issue I have identified is DP&L's proposal that each Competitive Bidding Process ("CBP")
34 supplier provide RECs by February 10th of each year in an amount sufficient to cover its
35 obligation in the previous calendar year.¹⁰ My understanding is that date is prior to the standard
36 delivery date for entities that purchase RECs in the market. This issue can be solved by making
37 the supplier provide RECs by February 28th of each year rather than February 10th. Compliance

¹⁰ October 2016 Direct Testimony of DP&L witness Brown at 4.

1 reports are due April 15, so this modest change in the delivery date should not impact the
2 utilities' compliance filings.

3
4 **SUMMARY OF TESTIMONY**

5 **Q33. Can you please summarize your testimony and RESA's main positions in this proceeding?**

6 **A33.** RESA's position in this proceeding can be summarized as follows:

- 7 a. RESA opposes the DMR as proposed by the Company. As proposed, the DMR is not a
8 distribution modernization rider. Rather, it is a mechanism to transfer the AES/DPL merger
9 related debt obligation as well as the risk of DPL's generation ownership to DP&L
10 customers. This transfer is not in the best interest of DP&L's customers and represents
11 inappropriate subsidies to DP&L, DPL, and AES. In the alternative, AES should step in
12 and provide the capital and liquidity necessary to repay the Company's financial integrity.
13 Simultaneously, the DMR should be restructured as an actual distribution modernization
14 rider that results in the installation of smart meters and AMI data management to improve
15 reliability and enable competitive innovation.
- 16 b. RESA opposes the Clean Energy Rider as an overly broad cost recovery mechanism that
17 seeks to subsidize both new, renewable generation development and environmental
18 compliance for existing generation assets. Owning and operating generation assets in the
19 competitive wholesale markets involves risks that should be managed through the
20 marketplace itself. The Company should not be afforded special dispensation or subsidized
21 cost recovery for its generation simply because it is the incumbent utility in its territory. If
22 the Clean Energy Rider is authorized, it should be made non-bypassable.
- 23 c. RESA opposes the Reconciliation Rider for the OVEC generation. The OVEC units,
24 though once important to our national energy and strategic defense needs, now struggle to
25 operate efficiently and cost effectively in the modern marketplace. Rather than continue to
26 subsidize the Ohio utilities and their participation in the OVEC commercial entity, efforts
27 should be made and incentives left in place for the Ohio utilities, including DP&L, to
28 terminate their participation in OVEC.
- 29 d. RESA supports an Order that reiterates the need for the Company to follow through on the
30 corporate separation plan as ordered by the Commission in Case No. 13-2420-EL-UNC.
- 31 e. RESA supports the implementation of SCB to increase product innovation in the
32 competitive retail market and provide customers with new and more customizable

1 electricity service offerings. In combination with the distribution modernization as
2 proposed by RESA, SCB will enhance customer insight into how they use energy as well as
3 ways to optimize the value they receive from their electricity service.

- 4 f. RESA supports modifying the “small commercial customer” definition in DP&L’s tariff to
5 better define and categorize those customers that exemplify the habits and characteristics of
6 a small, commercial energy user. The proper categorization of commercial and industrial
7 electricity customers is beneficial in that it protects smaller customers that have fewer
8 resources to dedicate to managing their energy resources while streamlining processes and
9 product offerings for larger customers with the resources and knowledge to do so.
- 10 g. RESA supports the implementation of a DSS to better align the true costs of providing
11 competitive and SSO service to customers and to capture those costs that are not reflected in
12 the SSO price. The DSS will create a more level playing field for retail electricity supply in
13 the DP&L territory as well as assign costs and generate price signals to improve overall
14 efficiency in the marketplace.
- 15 h. RESA recommends various clarifications and corrections to DP&L’s proposed supplier
16 coordination tariff and other tariff sheets, and DP&L’s CBP REC proposal.

17
18 **Q34. Does this conclude your direct testimony?**

19 **A34.** Yes, although I reserve the right to further supplement my testimony.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on the 21st day of November 2016 upon all persons/entities listed below:

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Summary: Testimony -- Direct Testimony of Stephen E. Bennett electronically filed by Mrs. Gretchen L. Petrucci on behalf of Retail Energy Supply Association